**PRICING FACTORS**

· Supply and demand – As a supply for a product lowers and becomes limited the price will increase. Prices rise and fall with the demand of a product, as demand rises prices rise, etc.

· Uniqueness – If a product has little to no competitors because it is unique, the prices will be higher than products similar to other products.

· Age (of product) – When a product is new to the market the prices will be high, as the age increases the demand and price will decrease.

· Season – Items such as winter apparel are season and only have a high demand at one certain time a year, price is usually highest at the beginning of these seasons.

· Complexity – High complexity items will have a higher price than simple products (IPod touch compared to Walkman) Products with many features and options will have a higher price.

· Convenience – People pay for convenience, if a product is readily available and customer service is good prices will go up, customers expect low prices when a product is sold at warehouse style store with little/no customer service.

**VOCABULARY**

· Price – The money a customer must pay for a product or service.

Product costs + Operating Expenses + Profit = Selling price

· Selling price – Price paid by the customer for the product

· Product costs – Costs to the manufacturer of producing the product ***or*** The price paid by the other businesses to buy the product

· Operating expenses – All expenses of operating the business that are associated with the product. This can include salaries, storage, display, facilities, utilities, taxes, and much more.

· Profit – The money available to the business after all costs and expenses have been paid.

· Gross margin – The difference between selling price and the product costs, this represents the amount of money on hand to pay for operating expenses and provide a profit.

· Markup – The amount added to the cost of a product to set the selling price. The markup is equal to the expected gross margin.

· Markdown – A reduction from the original selling price. This may happen if the selling season of a product has ended or demand is not high for the product.

· Distribution – The locations and methods used to make a product or service available to the target market.

· Channel of distribution – The route a product follows and the business involved in moving a product from the producer to the final customer.

· Channel members – The businesses that take part in a channel of distribution.

· Direct channel of distribution – Products move straight from the producer to the customer with no other organizations participating

· Indirect channel of distribution – One or more other businesses between the producer and the customer

**Channels of Distribution**

* Differences in Quantity- Businesses produce or sell large amounts of each product to many customers. Only every consumer needs a small number of products at a given time.
* Differences in Assortment- Businesses specialize in producing a specific product for the consumer. While the consumer wants to buy a variety of products
* Differences in Location- In today’s global economy, producer and consumer may be thousands of miles away. Businesses may need to distribute to many different countries
* Differences in Timing- Gain efficiency when a product is produced on time. Some products (agricultural) can be produced once a year. Consumers may want to buy at times than when they are produced.